AR79

Exquisite Form®

BRASSIERE (CANADA) LIMITED

and subsidiary companies

ANNUAL REPORT

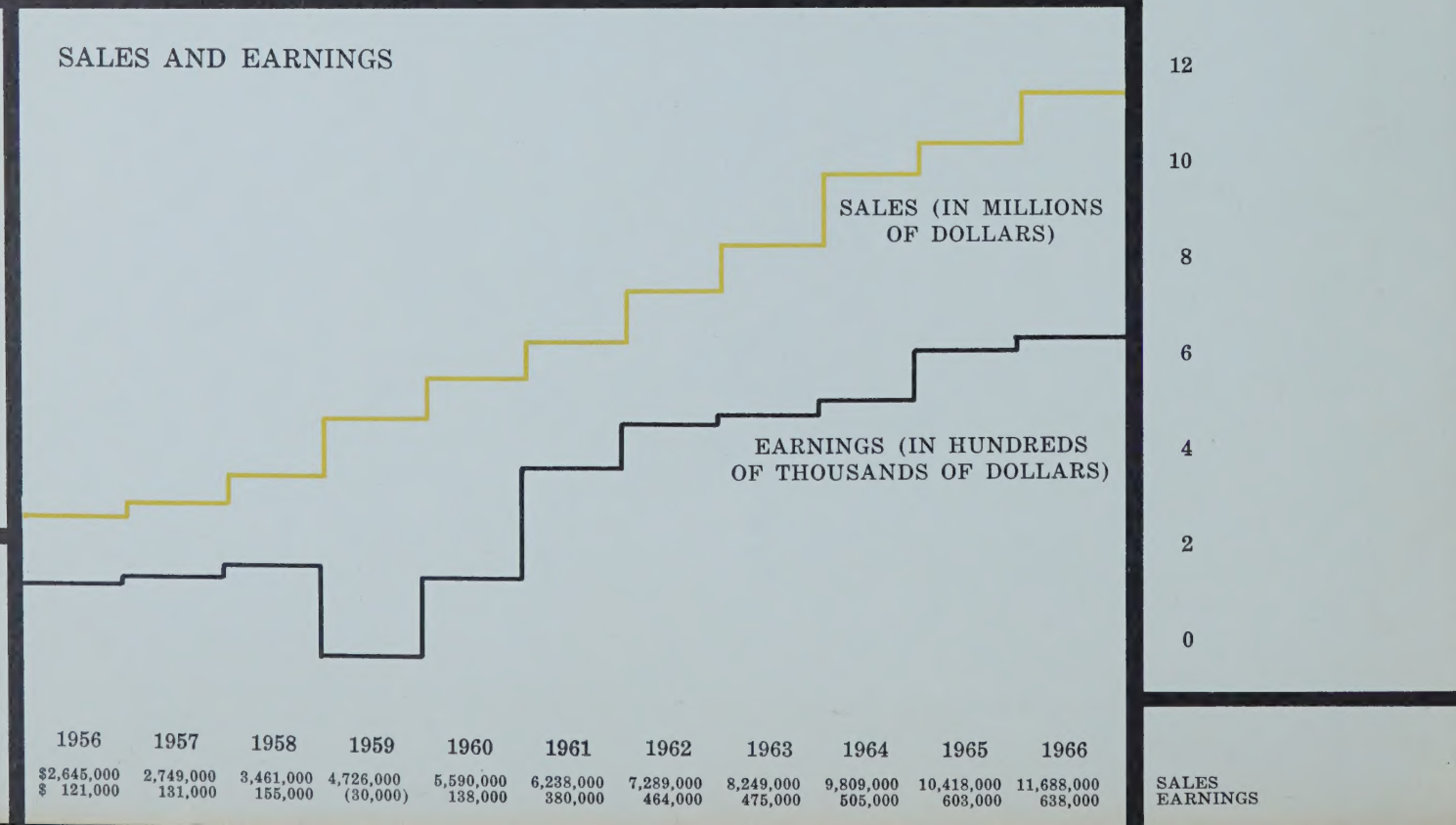
FOR THE YEAR ENDED

FEBRUARY 28, 1966

Comparative Financial Highlights

	1966	1965
Sales	$11,687,567	$10,418,040
Net Earnings (Note 1 to the Financial Statements)	$ 638,172	$ 602,836
Net Earnings per Common Share after First Preference Share Dividends	$ 1.22*	$ 1.14*
Dividends per Common Share (1965 Initial)	$ .70	$ .17½
Working Capital	$ 3,115,435	$ 3,274,497
Working Capital Ratio	1.9 to 1	2.1 to 1
Retained Earnings	$ 2,283,979	$ 2,472,315

*Net Earnings per Common Share in 1965 have been adjusted to reflect the larger number of shares outstanding as at February 28, 1966.



President's Report to the Shareholders:



This Sixth Annual Report on the affairs of our Company reflects the year 1966 as one of continued growth and diversification.

Sales:

Consolidated net sales totalled $11,687,567, compared with $10,418,040 for the previous year. Increases occurred in the sales of Exquisite Form products both in Canada and elsewhere. We are also pleased to report that volumes achieved by Lady Manhattan (Canada) Limited and Gant Shirtmakers of Canada, Limited, two recently acquired subsidiaries, have exceeded our original projections.

Our subsidiary, Malibu Fabrics of Canada Ltd., recently introduced new designs which received excellent customer response, and which are expected to add significantly to future sales and earnings.

Earnings:

Despite new highs in sales, earnings for the year of $638,172 did not keep pace with 1965, after giving effect to the change in accounting policy instituted at Febraury 28, 1966, applicable to foreign exchange profits and losses on inventories. In 1965, the earnings of $602,836 would have increased to $641,295 on this basis. The principal reasons for the slight decline in earnings resulted from operating losses totalling $52,807 by subsidiary companies in South America, and reduced investment income from our affiliated company in Great Britain. The outlook for these companies in South America and Great Britain is favourable, and considerable improvement in their sales and earnings is anticipated for the future.

Dividends:

Continuing the dividend policy instituted in 1965, a total of $302,897 was returned to holders of Common Shares in the form of dividends at an annual rate of 70 cents per share.

Dividend payments on the outstanding Series A First Preference Shares amounted to $50,745 equal to 60 cents per share.

Preference Share Conversions:

During the fiscal year, 108,886 Series A First Preference Shares were converted into 108,850 5/15 Common Shares, resulting in a decrease in the number of such Preference Shares outstanding and a corresponding increase in the number of issued and fully paid Common Shares in accordance with the provisions of conversion.

Working Capital:

The Company's Working Capital totalled $3,115,435 at the end of fiscal 1966, compared with $3,274,497 at the end of 1965. The decrease of $159,062 reflects foreign exchange adjustments applicable to subsidiary companies in Venezuela which more than offset an increase in Working Capital of $179,039 derived from the Company's operations for the year. The Source and Application of Funds statement included in the consolidated financial statements gives details of these changes in Working Capital.

Operations:

We have successfully completed the most active year in our history. Accelerated production schedules kept pace with the increased demand for our products, and we were able to maintain the prompt and efficient flow of finished goods to customers. Exquisite Form brassieres and girdles have again enjoyed wide acceptance, and our market research indicates that Exquisite Form brands are high on the list of consumer preferences.

During the year, we created and marketed new designs for girls in their pre-teens and teens. These newly significant age brackets now constitute a larger percentage of the population than ever before. Thus, we are continually introducing the Exquisite Form name and quality to an important segment of the market where future buying habits and product loyalties are now being established.

Our major foundation garment products have undergone refinements in production methods, styling and fabric innovations. Each new development in the search for lightweight, synthetic miracle fabrics leads to new applications for ladies' undergarments and lingerie. Exquisite Form is proud to have been among the leaders who have pioneered the use of new materials in this industry. We are also manufacturing our

own knitted stretch fabrics, and many of our production items, particularly in the high volume, medium priced range, are made from stretch fabrics created on our own knitting machines.

Lady Manhattan (Canada) Limited has already become an important part of our operations. We have been producing ladies' shirts with successful results, and are now embarked on a programme of enlarging our product range to include dresses, skirts, shorts, slacks and other sportswear items, all bearing the "Lady Manhattan" trademark of quality. We anticipate greatly increased activity from this subsidiary during the coming year.

At the same time, we are equally optimistic about our newly acquired franchise for the men's wear market under the auspicious name of Gant Shirtmakers of Canada, Limited.

"Gant" trademarked shirts are famous the world over for high quality craftmanship and discriminating styling. Our present production includes sport shirts and dress shirts, as well as stretch underwear, and our clientele is reached through hundreds of haberdashery and exclusive men's wear shops throughout Canada. We feel that as far as men's wear is concerned, the fashion world is just beginning to awaken, and the name of Gant, that has stood for quality and perfection for many years, will be in the forefront among the trendsetters.

The former subsidiary company, Dunley Shirt (Canada) Limited, has been superseded by the Gant organization.

Expansion:

Although we expanded our Toronto factory facilities during the year, there is every indication that further expansion will be necessary in the near future, at which time an effort will be made to centralize some Toronto locations under one roof. The resultant efficiency should reduce overhead and other expenses, and enhance the profitability of all operating departments.

International:

Exquisite Form, West Germany, has steadily grown since its inception and has shown progressive increases in sales and earnings. Construction of an addition to its Duisburg premises has been started and is expected to be completed during 1966. These expanded facilities will permit increased productivity and a greater efficiency to its overall operations.

Exquisite Form, Venezuela, during the past fiscal period, experienced a decrease in sales and a loss on operations. A reorganized sales programme for this subsidiary was recently implemented. This change in sales policy is expected to achieve significant increases in sales volume and favourably improve earnings on operations for the current fiscal year.

Exquisite Form, Colombia, maintained its position in the market and experienced a greater demand for its products. The installation of specialized knitting machines referred to in the 1965 Annual Report has been completed. A new range of knitted products is now being marketed, which should substantially add to future sales volume and net profits.

Exquisite Form, Great Britain, in which we hold a 50 per cent interest, completed the fiscal year with a decrease in sales and earnings. Current plans include the introduction of new stylings together with extensive advertising campaigns, which are felt will result in increased sales and earnings for the 1967 fiscal period.

Exquisite Form, Spain, has progressively increased its sales and earnings since the commencement of its operations. Our 37½ per cent interest in this affiliated company earned approximately $6,200 as its share of the unaudited net profits for the year ended February 28, 1966, and $8,900 to date. This cumulative amount of investment income has not been included in the consolidated statement of earnings.

Outlook Favourable:

The projection for the year ahead is most favourable. Consumer demand for ladies' foundation garments is steadily increasing. Management confidently anticipates continued growth through increases in sales and earnings.

Management:

In an organization such as ours, that is expanding both physically and financially, it is important to have strong and intelligent management at all levels. Our Directors, Officers, Department Heads and the personnel under them fit these qualifications. We recognize that our Company, and indeed any well managed company, consists of people whose efforts and determinations are directed toward a common corporate goal. The past achievements of Exquisite Form Brassiere (Canada) Limited, particularly in the area of earnings, are a testimony to the calibre of its management team. We assure our shareholders that they may look forward to continued high performance from this group of experienced and knowledgeable executives.

We also pay tribute to our employees at Head Office and in our subsidiary companies here and throughout the world, for the loyal and conscientious manner in which they have discharged their duties during the year.

On behalf of the Board of Directors

HARRY L. SOLOMON,
President

July 22, 1966

Foundation Garments by *Exquisite Form*



For many years the Exquisite Form trademark on brassieres, girdles, and associated items has stood for excellence of design, quality and craftmanship.

Our access to the latest developments in product design adopted by Exquisite Form Industries Inc., our associated company, assures us of a prominent position in the forefront of the undergarment industry in those countries in which we manufacture and market Exquisite Form products: Canada, England, Germany, Spain, Venezuela and Colombia.

A distinct and aggressive merchandising programme, international in scope, continues to introduce more and more women to the benefits of Exquisite Form products. Our concentration on medium priced garments assures us of an entrée into the largest segment of the market. At the same time, we are supplying styles for the higher and lower priced fields.



Lawsonit and Magic Lady foundation garments enjoy wide sales acceptance, and are made from fabrics created on our own knitting machines. We are particularly enthusiastic about these soft stretch stylings since they meet the current fashion trend for undergarments that afford a feeling of comfort and freedom while exerting light figure control. Major garment styles in the Poirette line are very popular among women who require flexible but firm figure control.

Although our product range now includes over 40 styles of undergarments for all age groups and figure types, we are constantly searching for new opportunities to further expand our marketing horizons and sales volume.

GANT
SHIRTMAKERS

We are particularly proud of our association with the universally respected name of GANT, superior shirtmakers to discerning customers. Gant Shirtmakers of Canada, Limited is a wholly-owned subsidiary, established in 1965 to manufacture and market GANT designs in Canada.



Our marketing efforts have been made more effective by the American company's national advertising in such periodicals as **The New Yorker,** and by the good reputation enjoyed by GANT products among well groomed men who appreciate quality.

Our manufacturing plant utilizes the same designs, fabrics, care and quality workmanship for which GANT has become famous through the years.



More and more Canadian haberdasheries and departmental stores are stocking GANT shirts. They like the product, the price and the prompt service we offer. Their clientele like GANT too.

In addition to a wide range of dress and sport shirts, we are making MANDATE stretch briefs for men. These are becoming increasingly popular and add to our diversified products for the men's wear market.

Lady Manhattan®



Lady Manhattan (Canada) Limited manufactures the famous "Lady Manhattan" shirts for Canadian consumers.

Production and sales have increased substantially since the acquisition of the Lady Manhattan franchise in 1965, and plans are under way to manufacture dresses, skirts and other sportswear items bearing the same trademark.

Hundreds of ladies' wear stores across Canada carry Lady Manhattan shirts. In addition to local merchandising techniques, these items are regularly seen in the pages of **Mademoiselle, Seventeen, Vogue** and **New Yorker.** Women (and men, too) recognize the appealing features of Lady Manhattan's wide range of styles and fabrics.

The addition of ladies' and men's outerwear to our basic brassiere and girdle production gives Exquisite Form Brassiere (Canada) Limited greater diversification and flexibility in the fashion industry.

The resultant broadened operational base affords us the opportunity to strengthen our position in the industry, further diversify our products and increase our profitability.



EXQUISITE FORM BRASS

(Incorporated under the law

and its subsidiary

Consolidated Balance She

(with comparati

ASSETS

	1966	1965
Current Assets		
Cash on Hand and in Banks	$ 33,731	$ 80,134
Accounts Receivable after Allowance for Doubtful Accounts (Note 2)	2,702,127	2,493,288
Short Term Investments	—	600,000
Inventories at lower of Cost or Net Realizable Value	3,719,966	2,837,912
Prepaid Expenses	82,882	66,396
	$ 6,538,706	$6,077,730
Fixed Assets		
Land and Buildings — at cost	$ 626,668	$ 724,329
Equipment, Display Fixtures, Leasehold Improvements and Automotive Equipment — at cost	1,500,769	1,428,973
Patent — at cost	150,000	150,000
	$ 2,277,437	$2,303,302
Less: Accumulated Depreciation	1,057,300	983,169
	$ 1,220,137	$1,320,133
Other Assets		
Excess of Cost over Book Value of shares in Subsidiary Companies	$ 138,359	$ 42,540
Investments — Exquisite Form Espana S.A. (Note 3)	46,315	34,330
— Exquisite Form Brassiere (Great Britain) Limited (Note 4)	1,753,301	1,670,395
— Lawsonit Products Limited (Note 5)	11,051	51
— Other — at cost	29,747	26,116
Deferred Expenses Unamortized — Pre-production and Promotion	245,767	269,788
Unamortized Debenture Discount (Note 6)	79,565	86,530
	$ 2,304,105	$2,129,750
	$10,062,948	$9,527,613

Approved on behalf of the Board:

Garson Reiner, *Director*

Harry L. Solomon, *Director*

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npanies (note 1)

as at February 28, 1966

gures for 1965)

LIABILITIES

Current Liabilities	1966	1965
Bank Overdrafts	$ 80,408	$ 97,737
Bank Loans — secured (Note 7)	1,556,277	512,649
Accounts Payable and Accrued Liabilities	1,011,330	874,206
Balance Owing on Investment in Exquisite Form Brassiere (Great Britain) Limited	—	740,584
Notes Payable	110,563	70,065
Dividends Payable	90,087	86,360
Advances from Affiliates	14,690	42,375
Income Taxes Payable	380,938	329,257
Current Portion of Long Term Debt	178,978	50,000
	$ 3,423,271	$2,803,233
Long Term Debt		
Note and Loan Payable	$ 164,179	$ —
Mortgage Payable — repayable in German D. Marks	57,704	73,405
6¼% Sinking Fund Debentures, Series A, maturing December 1, 1982 (Note 6)	1,850,000	1,900,000
	$ 2,071,883	$1,973,405
Accumulated Tax Reductions Applicable to Future Years (Note 8)	$ 26,500	$ 18,000
Minority Interest in a Subsidiary (Note 1)	16,898	—
Total Liabilities	$ 5,538,552	$4,794,638
Shareholders' Equity		
Capital Stock (Note 9)		
Authorized		
186,889 First Preference Shares of the par value of $10 each, issuable in series	$1,868,890	
20,000 5% Non-Cumulative Non-Voting Redeemable Second Preference Shares of the par value of $50 each	$1,000,000	
1,113,075 5/15 Common Shares without Par Value		
Issued and Fully Paid		
36,889 6% Cumulative Redeemable Convertible First Preference Shares, Series A (1965—145,775)	$ 368,890	$1,457,750
13,000 Second Preference Shares	650,000	650,000
482,978 5/15 Common Shares (1965—360,238)	1,221,527	45,160
	$ 2,240,417	$2,152,910
Purchase Fund — Series A First Preference Shares (Note 9)	—	107,750
Retained Earnings	2,283,979	2,472,315
Total Shareholders' Equity	$ 4,524,396	$4,732,975
	$10,062,948	$9,527,613

nying notes form an integral part of the financial statements.

EXQUISITE FORM BRASSIERE (CANADA) LIMITED

(Incorporated under the laws of the Province of Ontario)

and its subsidiary companies (note 1)

Consolidated Statement of Earnings

for the year ended February 28, 1966 (with comparative figures for 1965)

	1966	1965
Sales	$11,687,567	$10,418,040
Net Operating Income after Directors' Fees of $6,000 (1965 - $3,000)	$ 1,405,027	$ 1,207,363
Add: Income from Investments	94,216	136,628
Net Earnings	$ 1,499,243	$ 1,343,991
Less: Depreciation	$ 179,744	$ 172,175
Sinking Fund Debenture Interest (Note 6)	119,825	123,986
Debenture Discount Amortization (Note 6)	4,840	4,970
Income Taxes (Note 8)	546,014	440,024
Minority Interest in Subsidiary Profits	10,648	—
	$ 861,071	$ 741,155
Net Profit for the Year (Note 1) (to Consolidated Statement of Retained Earnings)	$ 638,172	$ 602,836

Consolidated Statement of Retained Earnings

for the year ended February 28, 1966 (with comparative figures for 1965)

	1966	1965
Balance at Beginning of Year	$ 2,472,315	$ 2,121,978
Add: Net Profit for the Year (Note 1)	638,172	602,836
Transfer from Series A Preference Share Purchase Fund (Note 9)	107,750	—
	$ 3,218,237	$ 2,724,814
Less: Transfer to Series A Preference Share Purchase Fund (Note 9)	$ —	$ 32,750
Dividends — Series A First Preference Shares (1966 - 60¢) (1965 - 60¢)	50,745	87,817
— Common Shares (1966 - 70¢) (1965 - 17½¢)	302,897	65,199
Prior Years' and Other Adjustments (net)	34,752	66,733
Venezuelan Exchange Adjustment (Note 1)	545,864	—
	$ 934,258	$ 252,499
Balance at End of Year (to Consolidated Balance Sheet)	$ 2,283,979	$ 2,472,315

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Source and Application of Funds

for the year ended February 28, 1966 (with comparative figures for 1965)

	1966	1965
Funds were provided from:		
Operations		
— net profit for the year	$ 638,172	$ 602,836
— depreciation	179,744	172,175
— debenture discount amortization (Note 6)	4,840	4,970
	$ 822,756	$ 779,981
Less: Income from investments not received in cash	80,642	66,300
	$ 742,114	$ 713,681
Employees' stock options exercised	87,507	—
Note and loan payable	164,179	—
Minority interest in a subsidiary (Note 1)	16,898	—
	$1,010,698	$ 713,681
Funds were applied to:		
Purchase of fixed assets, including those of acquisitions (net)	$ 218,202	$ 226,773
Repurchase of sinking fund debentures (Note 6)	49,500	48,500
Repayment of mortgage — Germany	15,701	15,825
Investments and advances in		
— Exquisite Form Brassiere (Great Britain) Limited (Note 4)	3,646	1,604,095
— Lawsonit Products Limited (Note 5)	9,618	51
Excess of cost over book value of shares in		
— Gant Shirtmakers of Canada, Limited (Note 1)	—	41,775
— Lady Manhattan (Canada) Limited (Note 1)	95,819	—
Dividends to shareholders — Preferred	50,745	87,817
— Common	302,897	65,199
Other (net)	85,531	(3,670)
	$ 831,659	$2,086,365
Increase (Decrease) In Working Capital	$ 179,039	($1,372,684)
Working Capital — Opening Balance	$3,274,497	$4,647,181
— Closing Balance	3,115,435	3,274,497
	($ 159,062)	($1,372,684)
Add: Venezuelan Exchange Adjustment Applicable to Working Capital (Note 1)	338,101	—
Increase (Decrease) In Working Capital	$ 179,039	($1,372,684)

Auditors' Report

To the Shareholders of
Exquisite Form Brassiere (Canada) Limited:

We have examined the consolidated balance sheet of Exquisite Form Brassiere (Canada) Limited as at February 28, 1966 and the consolidated statements of earnings and retained earnings for the year ended on that date. Our examination of the financial statements of Exquisite Form Brassiere (Canada) Limited (the parent company) and those subsidiaries of which we are the auditor included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of the companies as at February 28, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting for foreign exchange losses as described in note 1, with which change we concur.

Our examination also included the accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the Company and its subsidiary companies for the year ended February 28, 1966.

Toronto, Canada
June 16, 1966.

Wm. Eisenberg & Co.
Chartered Accountants

The accompanying notes form an integral part of the financial statements.

Notes to the Consolidated Financial Statements

as at February 28, 1966

1. Subsidiary Companies — Consolidated

Brassieres and Girdles — 100%

— Exquisite Form Brassiere Ltd. G.m.b.H. — West Germany

— Exquisite Form Brassiere de Venezuela, C.A. — Venezuela

— Exquisite Form Brassiere de Colombia Ltda. — Colombia

Textiles — 100%

— Malibu Fabrics of Canada Ltd. — Quebec

— Elasticos de Venezuela, C.A. — Venezuela

Men's Shirts and Underwear — 100%

— Gant Shirtmakers of Canada, Limited - Ontario (name changed by Supplementary Letters Patent during year from Dunley Shirt (Canada) Limited)

Ladies' Shirts and Sportswear — 75%

— Lady Manhattan (Canada) Limited - Ontario (acquired April 1, 1965 and included for the first time)

All significant intercompany loans and transactions have been eliminated on consolidation. Foreign currencies have been converted to Canadian funds at free rates on the following bases:

Current Assets and Current Liabilities — at the prevailing rate on February 28, 1966.

Fixed Assets, Other Assets and Long Term Debt — at the average cost in Canadian funds in the period in which acquired or incurred.

Profit and Loss Accounts — at the average rate for the year.

In Venezuela, the purchase of dollars at the official rate of exchange is subject to governmental control. There is, however, a free market in foreign exchange where dollars may be purchased at a rate higher than the official rate of exchange. Effective January 18, 1964, Venezuela imposed new exchange controls whereby certain payments that complied with the previous decrees were to be permitted at the former rates, provided that the right to obtain foreign exchange was approved by March 31, 1965.

Certain rights were not approved by the Venezuelan government and thereby expired during the year. As a result, the Venezuelan statements have been converted to Canadian dollars at free rates, and the exchange adjustment of $545,864 has been written off to retained earnings. Of this loss, $338,101 applies to working capital as shown on the attached consolidated statement of source and application of funds.

Germany and Colombia have no exchange restrictions, their currencies being freely convertible into Canadian dollars.

The accounting policy of the Company was changed at February 28, 1966 to reflect normal foreign exchange profits and losses in inventories in the statement of retained earnings rather than in the statement of earnings. If this policy had been followed in 1965, the net profit for that year would have been increased by $38,459 to $641,295.

The consolidated balance sheet and statements of earnings and retained earnings for the year ended February 28, 1965 are shown for comparative purposes only, and should be read in conjunction with the notes to the consolidated financial statements in the annual report for that year.

2. Accounts Receivable

Included in this are accounts in Venezuela totalling approximately $140,000 that have taken extended credit compared to Canadian practice. The auditors of this subsidiary did not consider it necessary to make any qualification in their report for any part of this amount.

3. Investment — Exquisite Form Espana S.A. — Spain (brassieres and girdles) — 37½%

The Company's share of the unaudited net profit of this company was $6,200 for the year ended February 28, 1966 and $8,900 to date, no part of which has been included in the attached consolidated financial statements. No dividends have been declared by the Spanish company to February 28, 1966.

4. Investment — Exquisite Form Brassiere (Great Britain) Limited - England (brassieres and girdles) — 50%

Exquisite Form Brassiere (Canada) Limited purchased a 50% interest in this company during the 1965 fiscal year for approximately $1,600,000.

The Company's share of the earnings of the English company have been included in the attached consolidated statement of earnings, and its investment in this company is carried at its cost plus the Company's share of the earnings to date, less dividends received.

5. Investment — Lawsonit Products Limited - Ontario (textiles) — 50%

The Company's share of the earnings of this company have been included in the attached consolidated statement of earnings, and its investment in this company is carried at its cost plus the Company's share of the earnings to date, less dividends received.

6. 6¼% Sinking Fund Debentures, Series A

These 6¼% Sinking Fund Debentures, Series A were issued under a trust indenture dated November 15, 1962 which provided for the following conditions, inter alia:

(a) The redemption prior to maturity at the Company's option at any time in whole or from time to time in part on not less than 30 days' prior notice on the following bases: (i) out of sinking fund moneys, at the principal amount thereof; and (ii) otherwise than out of sinking fund moneys, at the option of the Company, at the principal amount thereof plus a premium of 6¼% of such amount if redeemed on or before December 1, 1963, such premium thereafter decreasing .33 of 1% of such principal amount for each year commenced or elapsed after December 1, 1963 to the date specified for redemption up to and including the year commencing December 2, 1980 and after December 1, 1981 and prior to maturity at the principal amount thereof; together in all cases with accrued interest to the date specified for redemption.

(b) The establishment of a sinking fund for the retirement of $50,000 aggregate principal amount of Series A Debentures on December 1 in each of the years 1964 to 1966 inclusive. $75,000 aggregate principal amount of Series A Debentures on December 1 in each of the years 1967 to 1969 inclusive and $100,000 aggregate principal amount of Series A Debentures on December 1 in each of the years 1970 to 1981 inclusive.

7. Bank Loans — secured

The accounts receivable and inventories of the Company and its subsidiaries have been pledged as security for these loans.

8. Accumulated Tax Reductions Applicable to Future Years

For Canadian income tax purposes, the Company has claimed maximum capital cost allowances which are in excess of the depreciation recorded in the accounts. The resulting deferred taxes of $8,500 for the year (1965 — $13,000) and of $26,500 to date are applicable to those future periods in which the amounts claimed for Canadian income tax purposes will be less than the depreciation recorded in the accounts.

9. Capital Stock

Each Series A First Preference Share shall be convertible at the option of the holder into fully paid and non-assessable Common Shares of the Company as follows:

— on or before Dec. 1, 1965 1 Common Share
— on or before Dec. 1, 1966 14/15 of a Common Share
— on or before Dec. 1, 1967 13/15 of a Common Share
— on or before Dec. 1, 1968 4/5 of a Common Share
— on or before Dec. 1, 1969 11/15 of a Common Share
— on or before Dec. 1, 1970 2/3 of a Common Share

During the 1966 fiscal year, 108,886 Series A First Preference Shares were converted into 108,850 5/15 Common Shares. The conversion of the 113,111 Series A First Preference Shares to February 28, 1966 into 113,075 5/15 Common Shares has reduced the number of authorized and issued First Preference Shares and has increased the number of authorized and issued Common Shares accordingly.

So long as any of the Series A Preference Shares are outstanding and subject to certain provisions the Company will on the first day of April, 1963 and quarter-yearly thereafter enter on its books to the credit of a purchase fund for the purchase, subject to certain provisions, of Series A Preference Shares for cancellation (if obtainable) an amount equal to one and one-quarter per cent (1¼%) of the aggregate par value of the greatest number of Series A Preference Shares theretofore issued. To February 28, 1966, no Series A Preference Shares had been purchased for cancellation, but the Company has elected to apply the conversions of the Series A First Preference Shares (as shown above) against its requirements under this purchase fund.

So long as any of the Series A Preference Shares are outstanding the Company shall not pay any dividends on shares ranking junior to the Series A Preference Shares unless certain provisions are met.

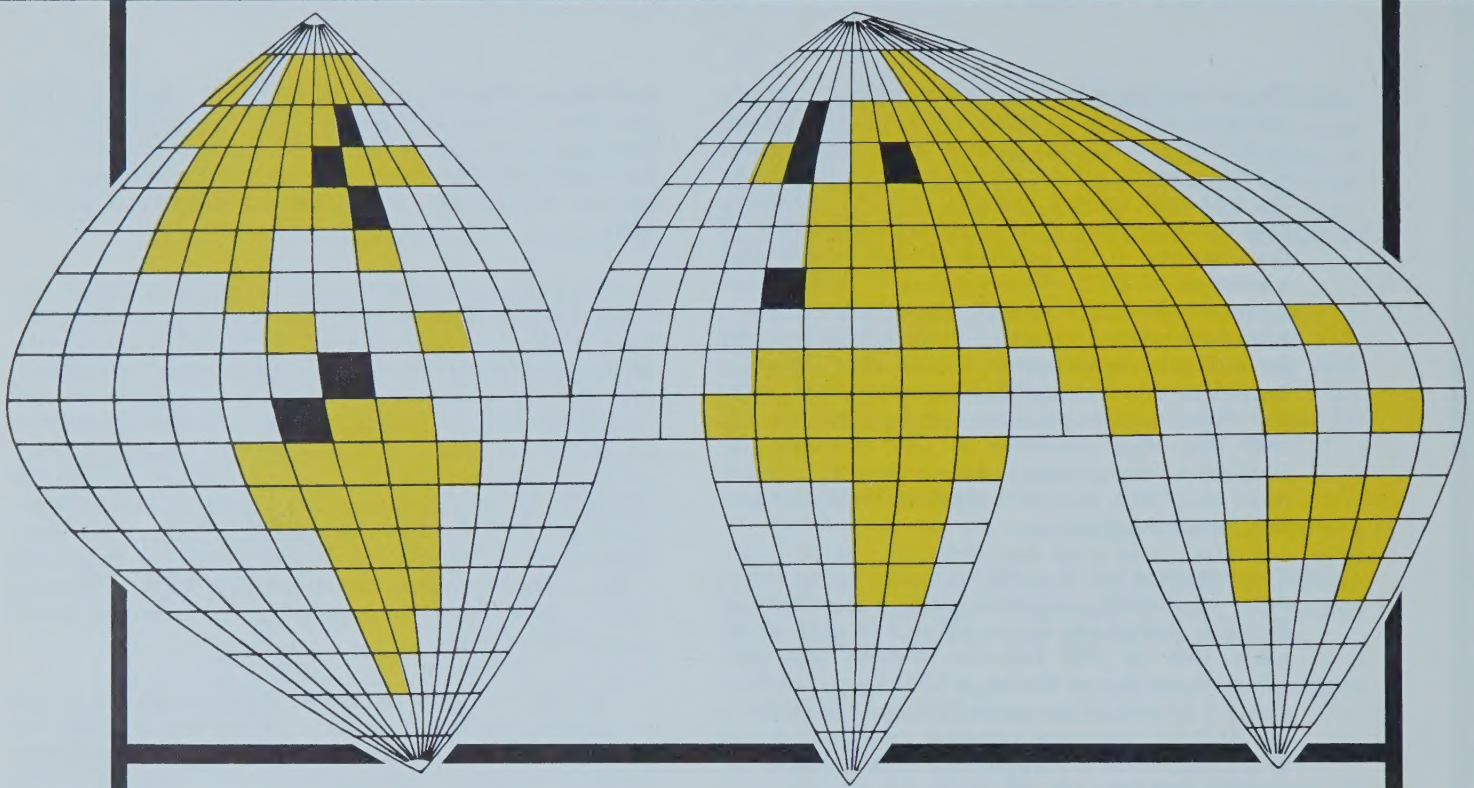
On April 25, 1962, the Company authorized the granting to key employees and other persons of options to purchase an aggregate of 20,000 Common Shares of the Company. Each option is cumulatively exercisable over 5 years at a price of $6.30 per Common Share in progressive annual instalments of 20% of the number of shares optioned. 13,890 options were exercised during the current year, and 1,470 were exercised subsequent to the year end.

100,000 Common Shares will be reserved for the exercise of outstanding Common Share Purchase Warrants issued with the 6¼% Sinking Fund Debentures, Series A (Note 5). Such Warrants will entitle the bearers thereof to purchase Common Shares at $12 per share if exercised on or before December 1, 1966, such price increasing thereafter by $1 per share for each year commenced or elapsed after December 1, 1966 to the date of exercise. Such Warrants will expire at the close of business on December 1, 1969. No Warrants had been exercised to February 28, 1966.

10. Long Term Contracts

The Company has entered into a lease dated May 1, 1962 for the rental of the premises at 215 Spadina Avenue, Toronto, Canada, for a period of 10 years at an annual rental of $107,640. During the year ended February 28, 1966, the Company received rental income of $21,354 for a portion of these premises.

International



CANADA

EXQUISITE FORM BRASSIERE (CANADA) LIMITED
215 Spadina Avenue ..... Toronto

LADY MANHATTAN (CANADA) LIMITED
174 Spadina Avenue ..... Toronto

GANT SHIRTMAKERS OF CANADA, LIMITED
174 Spadina Avenue ..... Toronto

LAWSONIT PRODUCTS LIMITED
215 Spadina Avenue ..... Toronto

MALIBU FABRICS OF CANADA LIMITED
377 Richmond Street ..... Montreal

ENGLAND

EXQUISITE FORM BRASSIERE (GREAT BRITAIN) LIMITED
28/30 Market Place, Oxford Circus ..... London

WEST GERMANY

EXQUISITE FORM BRASSIERE LIMITED G.m.b.H.
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EXQUISITE FORM ESPANA S.A. (Affiliated Company)
A.P.D.O. 14811, General Aranda 28 ..... Madrid

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215 Spadina Avenue, Toronto 2b, Ontario, Canada

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The Series A First Preference Shares, the Common Shares and the Common Share Purchase Warrants are listed on the Toronto Stock Exchange.

PIET MONDRIAN 1872-1944

Although artists and scholars have for many years appreciated Piet Mondrian's greatness as a pioneer of geometric abstraction, it is only very recently that his unique style has influenced our contemporary environment. The areas most dramatically and obviously affected have been architecture, advertising art, industrial design, typography, interior decoration, furniture design and the world of fashion.

To pay tribute to Piet Mondrian and his influence on today's fashion designs for men and women, we have adapted the Mondrian design trend to this report.